

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields



Issued under Public Act 2 of 1968, as amended. (V1.05)

Unit Name* EASTERN HURON AMBULANCE SERVICE	County* HURON	Type* AUTHORITY	MuniCode* 32-7-504
Opinion Date-Use Calendar* Aug 8, 2008	Audit Submitted-Use Calendar* Aug 25, 2008	Fiscal Year End Month* 12	Fiscal Year* 2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 245,230.00
General Fund Expenditure:	\$ 207,133.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 514,316.00
Governmental Activities Long-Term Debt (see instructions):	\$ 500,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DOUGLAS P.	Last Name* BRINING	Ten Digit License Number* 1101008283		
CPA Street Address* 64 WESTLAND DRIVE	City* BAD AXE	State* MI	Zip Code* 48413	Telephone* +1 (989) 269-9909
CPA Firm Name* BRINING & NARTKER, P.C.	Unit's Street Address* 108 NELSON ST.	Unit's City* HARBOR BEACH	Unit's Zip* 48441	

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
HARBOR BEACH, MICHIGAN**

**FINANCIAL REPORT
DECEMBER 31, 2007**

EASTERN HURON AMBULANCE SERVICE ASSOCIATION

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BRINING & NARTKER, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Eastern Huron Ambulance Service Association
Harbor Beach, Michigan

We have audited the accompanying financial statements of the business-type activities of the Eastern Huron Ambulance Service Association, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the management of Eastern Huron Ambulance Service Association. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not prepared their discussion and analysis information for the Eastern Huron Ambulance Service Association. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of managements' discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the financial position of Eastern Huron Ambulance Service Association, as of December 31, 2007, and the changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Brining & Nartker, P.C.
BRINING & NARTKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 8, 2008

BASIC FINANCIAL STATEMENTS

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
STATEMENT OF NET ASSETS
BUSINESS-TYPE ACTIVITIES
DECEMBER 31, 2007**

ASSETS

CURRENT ASSETS:

Cash and investments	\$ 211,305
Accounts receivable	21,705
Receivable - sale of lot to HBFD	22,500

TOTAL CURRENT ASSETS	<u>255,510</u>
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NONCURRENT ASSETS:

Capital assets - net of accumulated depreciation	762,398
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TOTAL ASSETS	<u>1,017,908</u>
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LIABILITIES

CURRENT LIABILITIES:

Accrued and withheld payroll taxes	3,593
Current maturities of long-term obligations (Note 5)	39,450

TOTAL CURRENT LIABILITIES	<u>43,043</u>
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LONG-TERM OBLIGATIONS (Note 5)	460,550
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TOTAL LIABILITIES	<u>503,593</u>
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NET ASSETS:

Invested in capital assets, net of related debt	262,398
Unrestricted	251,918

TOTAL NET ASSETS	<u>\$ 514,316</u>
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The accompanying notes are an integral part of the financial statements.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

OPERATING REVENUE:	
Charges for services	\$ 176,650
TOTAL OPERATING REVENUE	<u>176,650</u>
OPERATING EXPENSES:	
Advertising	1,341
Depreciation	61,062
Education	5,342
Insurance	6,408
Licenses	285
Medical supplies	2,541
Miscellaneous	2,115
Office expenses	5,869
OSHA expenses	232
Payroll taxes	7,040
Professional fees	1,500
Property taxes	138
Repairs	24,310
Repayments	1,874
Special purchases	6,552
Utilities	4,483
Wages	76,041
TOTAL OPERATING EXPENSES	<u>207,133</u>
OPERATING INCOME (LOSS)	<u>(30,483)</u>
NONOPERATING REVENUES:	
Interest income	4,878
Intergovernmental grants	26,442
Miscellaneous revenue	30
Federal grant monies	29,973
TOTAL NONOPERATING REVENUES	<u>61,323</u>
CAPITAL CONTRIBUTIONS	7,257
CHANGE IN NET ASSETS	<u>38,097</u>
NET ASSETS - BEGINNING OF YEAR	496,830
PRIOR PERIOD ADJUSTMENT (Note 6)	(20,611)
NET ASSETS - END OF YEAR	<u><u>\$ 514,316</u></u>

The accompanying notes are an integral part of the financial statements.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 174,888
Cash payments for goods and services	(70,061)
Cash payments to employees	(76,041)
Nonoperating cash receipts	56,445
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>85,231</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital contributed	7,257
Purchase of capital assets	(535,362)
Cash received from loan proceeds	500,000
Sale of capital assets	(20,611)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(48,716)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	4,878
Cash received from loans made	22,500
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>27,378</u>
NET INCREASE IN CASH	<u>63,893</u>
CASH - BEGINNING OF YEAR	147,412
CASH - END OF YEAR	<u>\$ 211,305</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (30,483)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	61,062
(Increase) in accounts receivable	(1,762)
(Decrease) in accrued and withheld payroll taxes	(27)
Nonoperating cash receipts	56,441
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 85,231</u>

The accompanying notes are an integral part of the financial statements.

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF ASSOCIATION OPERATIONS

The Association was formed pursuant to the terms of an interlocal agreement dated October 2, 1978. Its purpose is to provide ambulance service to the residents and property owners of constituent units, which include the City of Harbor Beach, the Villages of Port Hope and Forestville, and Bloomfield, Gore, Huron, Rubicon, Sand Beach, Sherman, the north half of Delaware, and the east half of Sigel Township.

The Association operates under an appointed Board consisting of one representative from each constituent unit. All representatives are appointed by their respective governing bodies by resolution and serve following appointment, until a successor is appointed. A Board member is eligible for reappointment at the expiration of his (or her) term of office, and must be a resident of the constituent unit which he (or she) represents.

REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The association is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of the Association.

BASIS OF PRESENTATION

The financial activities of the Association are recorded in a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services are financed through user charges.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the balance sheet. Total net assets is segregated into capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as intergovernmental grants and investment earnings, result from non-exchange transactions or ancillary activities.

The accrual basis of accounting is utilized by the Association. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied.

(Continued)

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

ACCOUNTING ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PROPERTY AND EQUIPMENT

Additions to property and equipment are recorded at cost or, if contributed, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	39 years
Improvements	20 years
Ambulances	5 years
Equipment	3 - 7 years

NOTE 2 - CASH AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Association is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Deposits – The Associations' cash accounts consist of a checking account, an interest bearing savings account, and certificates of deposit. As of December 31, 2007, the carrying amount of the Association's deposits was \$199,091 and the bank balance was \$208,076. The bank balance was fully covered by Federal Depository Insurance and included \$110,363 in certificates of deposit.

Investments – State statutes authorize the Association to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptance of U.S. banks and mutual funds comprised of the above authorized investments. The Association has funds invested in Comerica Bank Municipal Investment Fund - a non-risk categorized investment - with a carrying value and market value of \$12,214 as of December 31, 2007.

The Association's cash and investments are subject to several types of risk, which are examined in more detail below.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At December 31, 2007 all of the Association's deposits were either covered by federal depository insurance or collateralized through the Comerica Bank Municipal Investment Fund, a non-risk categorized investment.

(Continued)

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 2 - CASH AND INVESTMENTS: (Continued)

Custodial Credit Risk of Investments – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of any outside party. The Association does not have a policy for custodial credit risk. At year end, none of the Association's investments were subject to the custodial credit risk due to the following:

* Investments were part of an insured pool

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the Association limits its investments in pooled investment funds.

NOTE 3 – CAPITAL ASSETS:

Capital assets activity for the current year was as follows:

	BALANCE JANUARY 1, <u>2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE DECEMBER 31, <u>2007</u>
Capital assets, not being depreciated -				
Land	\$ 80,401	\$ -	\$ -	\$ 80,401
Construction in progress - building	116,900	-	116,900	-
Total capital assets, not being depreciated	<u>197,301</u>	<u>-</u>	<u>116,900</u>	<u>80,401</u>
Capital assets, being depreciated -				
Improvements	22,075	-	-	22,075
Building	-	524,937	-	524,937
Ambulances	209,181	1,713	-	210,894
Equipment	170,924	8,714	-	179,638
	<u>402,180</u>	<u>535,364</u>	<u>-</u>	<u>937,544</u>
Less - accumulated depreciation for -				
Improvements	2,464	389	-	2,853
Building	-	6,730	-	6,730
Ambulances	59,151	42,122	-	101,273
Equipment	132,870	11,821	-	144,691
	<u>194,485</u>	<u>61,062</u>	<u>-</u>	<u>255,547</u>
Total capital assets being depreciated, net	<u>207,695</u>	<u>474,302</u>	<u>-</u>	<u>681,997</u>
Business-type activity capital assets, net	<u>\$ 404,996</u>	<u>\$ 474,302</u>	<u>\$ 116,900</u>	<u>\$ 762,398</u>

**EASTERN HURON AMBULANCE SERVICE ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 4 - CONTRIBUTIONS:

In the event it becomes necessary to finance all or any part of the operating expenses of the Association by contribution, any contribution made to the Association by the constituent units shall be on the basis of population which means that each constituent unit shall contribute a percentage equal to the percentage or proportion that the population of the constituent unit bears to the total population of all constituent units, population being based upon the latest Federal decennial census. Any action by the Association which would require such contribution to be binding upon each constituent unit must be authorized or later ratified by resolution of the governing body of that constituent unit. The failure of the governing body of any constituent unit to authorize or ratify its contribution to the Association shall operate as an immediate withdrawal of that constituent unit from the Association.

Contributions for the year ended December 31, 2007 amounted to \$22,842 and is included in nonoperating revenue as "intergovernmental grants".

NOTE 5 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligations outstanding at December 31:

	<u>2007</u>
4.71% Mortgage loan payable to Citizens First Bank. The loan is payable in fifteen annual installments of \$47,300 due beginning in January, 2008. The note is collateralized by the building.	\$ 500,000
Less current portion	\$ (39,450)
TOTAL LONG-TERM OBLIGATIONS	<u><u>\$ 460,550</u></u>

Maturities of long-term obligations for the five years succeeding December 31, 2007 are as follows:

2008	\$ 39,450
2009	25,608
2010	26,814
2011	28,077
2012, and after	380,051
	<u><u>\$ 500,000</u></u>

NOTE 6 - PRIOR PERIOD ADJUSTMENT:

The December 31, 2006 audit report contained a misstatement. A certificate of deposit was erroneously included in the Statement of Net Assets and also included in Operating Revenue on the Statement of Revenues, Expenses, and Changes in Net Assets. Therefore, a prior period adjustment of \$20,611 is included in the current year audit report for the year ended December 31, 2007.

BRINING & NARTKER, P.C.

Certified Public Accountants

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To the Board of Trustees
Eastern Huron Ambulance Service Association
Harbor Beach, Michigan

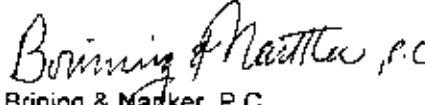
In planning and performing our audit of the financial statements of the Eastern Huron Ambulance Service Association, Huron County, Michigan as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Eastern Huron Ambulance Service Association, Huron County, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiency to be a significant deficiency in internal control.

Generally accepted accounting principles require that the Association prepare financial statements including the related notes to the financial statements. As is the case with many small government entities, the Association has relied on its independent external auditors to assist in the preparation of the financial statements and notes thereto as part of its external financial reporting process. External auditors cannot, by definition, be considered part of the Association's internal controls over financial reporting. The Association has decided that it is more cost effective and in the best interest of the Association to outsource this task to its external auditors and to carefully review the financial statements and notes thereto prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Brining & Nartker, P.C.
Certified Public Accountants

August 8, 2008